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For Immediate Release:

MTI Ltd.

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Notice Concerning Posting of Extraordinary Losses, Differences between Forecasts and Actual Results for the First Half of the Fiscal Year, and Revisions to Full-Year Results Forecast

MTI Ltd. (hereinafter the “Company”) announces that the Company will post extraordinary losses as stated below for the second quarter of the fiscal year ending September 30, 2022 (from January 1, 2022 to March 31, 2022).

In addition, the Company announces that the Company will revise the forecasts for the first half of the fiscal year ending September 30, 2022 the revise the earnings forecast for the fiscal year ending September 30, 2022 announced on November 9, 2021. Detail are as follows.

1. Posting of extraordinary losses

In the non-consolidated results, the Company will post a loss on valuation of shares of subsidiaries and associates of 2,935 million yen for the shares of MTI Healthcare Holdings Inc., a consolidated subsidiary of the Company, taking into account its business environment and future outlook, among other factors. This account will be eliminated in consolidated accounting.

2. Revision of the consolidated results forecast

(1) Differences between forecasts and actual results for the first half of the fiscal year ending September 30, 2022

(October 1, 2021 – March 31, 2022)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previous announced forecast (A)	Millions of yen 12,750 ~ 13,250	Millions of yen 900 ~ 1,100	Millions of yen 700 ~ 900	Millions of yen 300 ~ 500	Yen 5.48 ~ 9.13*
Current announced forecast (B)	12,975	599	292	123	2.25
Differences (B-A)	(274) ~ +225	(500) ~ (300)	(607) ~ (407)	(376) ~ (176)	
Differences (%)	(2.1) ~ +1.8	(45.5) ~ (33.4)	(67.5) ~ (58.2)	(75.3) ~ (58.9)	
(Reference) Actual results in the previous fiscal year (For the first half of the fiscal year ended September 30, 2021)	13,046	1,232	840	(1,416)	

*The forecast for net income per share released on the previous occasion is a figure taken from the Summary of Consolidated Financial Results for the First Half of the Fiscal Year Ending September 30, 2022 (released on May 12, 2022) in which figures recalculated on the basis of the number of outstanding shares (excluding treasury shares) as of March 31, 2022 are stated.

[Reasons for the differences]

Net sales was in line with initial forecast.

Operating income fell below the initial forecast due to the factors below.

In the other business, the Group is actively working to develop the school digital transformation (DX) business operated by Motivation Works Inc., a subsidiary of the Company. Due to a large number of business inquiries about “BLEND”, the cloud-based school affairs support system provided by Motivation Works Inc., the Group made upfront investments to increase the number of personnel to strengthen the business structure, use subcontractors to deal with increasing implementations of the system, and develop the system to improve its scalability. Meanwhile, there were many business inquiries also about the DX support business for large companies, and the Group aimed to offset the upfront investments in the school DX business by expanding projects in the DX support business, while posting operating income within the initial forecast range. However, operating income fell short of the initial forecast chiefly due to a rise in the cost of sales because of an increase in low-profit projects.

Ordinary income was also below the initial forecast. The difference from the forecast in ordinary income was larger than that in operating income due to a larger share of loss of entities accounted for using equity method than initially forecast in addition to the abovementioned factor.

Profit attributable to owners of parent was also less than initially forecast. The difference from the forecast was smaller than that in ordinary income chiefly due to a smaller amount of extraordinary losses than initially forecast.

(2) Revision of the consolidated financial forecast for the full fiscal year ending September 30, 2022 (October 1, 2021 – September 30, 2022)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous announced forecast (A)	25,500 ~ 26,500	1,800 ~ 2,200	1,400 ~ 1,800	600 ~ 1,000	10.92 ~ 18.20*
Current announced forecast (B)	25,500 ~ 26,500	1,000 ~ 1,400	500 ~ 900	100 ~ 500	1.82 ~ 9.12
Differences (B-A)	-	(400) ~ (1,200)	(500) ~ (1,300)	(100) ~ (900)	
Differences (%)	-	(36.4) ~ (44.4)	(50.0) ~ (64.3)	(50.5) ~ (83.3)	
(Reference) For the fiscal year ended September 30, 2021	25,743	1,929	1,370	(1,164)	(21.8)

*The forecast for net income per share released on the previous occasion is a figure taken from the Summary of Consolidated Financial Results for the First Half of the Fiscal Year Ending September 30, 2022 (released on May 12, 2022) in which figures recalculated on the basis of the number of outstanding shares (excluding treasury shares) as of March 31, 2022 are stated.

[Reasons for the revisions]

The Company has left unchanged the full-year consolidated net sales forecast for the fiscal year ending September 30, 2022, while it has revised downward the operating income, ordinary income and profit attributable to owners of parent forecasts, taking into consideration the differences between the actual results in the first half and the latest forecasts, the continuing upfront investments in the school DX business operated by Motivation Works Inc., a subsidiary of the Company, and low-profit projects in the DX support business for large companies that will continue in the second half, although the Company is improving the project management systems.

In addition, the Company believes that the spread of the COVID-19 infections has a minor impact on forecasts for the full-year consolidated financial results at the present time. If any event that is expected to have a serious impact is identified going forward, the Company will make disclosure promptly.

<Points to consider concerning forecasts

Matters stated in this material concerning results forecasts are based on assessments, assumptions and convictions derived from information available to the Company at the time when this material is published. They may differ significantly from actual results due to a variety of factors, including future economic conditions in Japan and overseas, changes in conditions for business operations in Japan and overseas, or uncertain factors and potential risks inherent in forecasts. Those risks and uncertain factors include unpredictable effects on results that may arise from future events.

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